

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
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E.O. 11652: N/A
TAGS: EINV, ETRD, EG
SUBJ: HIGHER INVESTMENT COUNCIL MEETS: IMPORT POLICY
- CONSIDERED

REF: (A) CAIRO 8197, (B) 77 CAIRO 12873, (C) 77 CAIRO
- 14957

1. MAY 23 CAIRO PRESS REPORTED RESULTS OF MEETING PREVIOUS DAY OF GOE HIGHER INVESTMENT COUNCIL, PRESIDED OVER BY PRIME MINISTER. ACCORDING PRESS ACCOUNTS, COUNCIL DECIDED, INTER ALIA, TO APPROVE CREATION OF AN INTERNATIONAL MONEY MARKET IN EGYPT; TO ESTABLISH A FREE ZONE AREA IN ISMAILIA AND TO STUDY POSSIBILITY OF ONE AT MERSA MATROUGH; AND TO APPROVE SETTING UP OF CONSULTING OFFICES, WITH EGYPTIAN PARTICIPATION, UNDER INVESTMENT LAW.

2. IN ADDITION, COUNCIL REPORTEDLY DECIDED UNDERTAKE A STUDY, RESULTS OF WHICH WOULD ASSIST GOE IN FORMULATING IMPORT POLICIES. POLICY OBJECTIVES, ACCORDING PRESS, INCLUDE LIMITING IMPORTATION THROUGH "OWN EXCHANGE" MECHANISM AND CHANNELING IT INTO PARALLEL MARKET; AND
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RESTRICTING IMPORT OF LUXURY GOODS AND OF PRODUCTS WHICH COMPETE WITH EGYPTIAN MANUFACTURES. PRIMIN SALEM WAS QUOTED IN ARTICLE ON COUNCIL MEETING AS HAVING NOTED THAT LIMITATION OF IMPORTS WOULD HAVE POSITIVE EFFECT ON EGYPTIAN BALANCE OF PAYMENTS.

3. COMMENT: MEANING AND IMPORT OF SOME OF DECISIONS SAID

TO HAVE BEEN TAKEN BY COUNCIL NOT ALTOGETHER CLEAR FROM
PRESS ACCOUNTS. WITH RESPECT TO IMPORTS, HOWEVER,
MESSAGE WAS LOUD AND CLEAR THAT RESTRICTIONS OUGHT TO BE
IMPOSED. COUNCIL THUS ADDS ITS WEIGHT TO GROWING PRESSURE
WITHIN GOE (SEE REFTELS) TO "RATIONALIZE"IMPORT SYSTEM
BY CURTAILING ENTRY OF "LUXURIES", OF ITEMS ALREADY IN
AMPLE SUPPLY LOCALLY, AND OF GOODS WHICH COMPETE WITH
LOCAL MANUFACTURES. THERE
APPEARS IN SOME CIRCLES TO BE A STRONGLY FELT DESIRE TO
CLAMP CONTROLS ON "FREE-WHEELING" SYSTEM CREATED BY
CHANGES IN TRADE AND CURRENCY REGULATIONS WHICH, IN
LAST FEW YEARS, HAVE GIVEN EGYPT ONE OF MOST LIBERAL
IMPORT POLICIES IN DEVELOPING WORLD. ALTHOUGH MANY US
EXPORTS SUCH AS GRAIN AND FOOD COMMODITIES (WHICH ARE IN
ANY CASE FINANCED IN LARGE MEASURE ON SPECIAL CONCES-
SIONAL TERMS) ARE UNLIKELY BE AFFECTED, OVERALL IMPACT
ON US TRADE WITH EGYPT OF GOE MOVES TOWARD RESTRICTIVE
IMPORT POLICIES COULD BE SIGNIFICANT. MATTHEWS

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